ADF Foods

Operator: Ladies and gentlemen, good day and welcome to the ADF Foods Limited Q1 FY27 earnings conference call. As a reminder, all participant lines will be in the listen-only mode, and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during this conference call, please signal an operator by pressing star, then zero on your touch-tone phone. I now hand the conference over to Mr. Sumit from EY. Thank you and over to you, sir.

Management: Thank you, Sumit, and good afternoon, everyone. We welcome you to the Q1 FY27 earnings conference call of ADF Foods Limited. To take us through the results and to answer your questions, we have with us today the top management of ADF Foods, represented by Mr. Bimal Thakkur, the Promoter, Chairman, Managing Director, and CEO; Mr. Sumer Thakkur, the Promoter, Vice President of Sales and Strategy; and Mr. Srinivas Ayyagari, the Chief Financial Officer. We will start the call with an overview of the business and recent updates by Mr. Bimal Thakkur, and then Mr. Srinivas will give his comments on the financials. As usual, the standard safe harbor clause applies as we start the call. Over to you.

Management: Thank you, Sumit. Good afternoon, everyone, and thank you for joining us today. We have commenced FY27 on a strong note, delivering our fourth consecutive quarter of strong double-digit growth year-on-year. In Q1 FY27, our consolidated revenue from operations increased by 25.9% year-on-year to 167.3 crores. On a standalone basis, revenue grew by 20.5% year-on-year to 120.9 crores.

This performance was driven by deeper shelf space penetration, continued category diversification, traction from product listings secured over the past few quarters, and strong execution across our key international markets. Importantly, we achieved this growth despite continued geopolitical uncertainties arising from the West Asia conflict, supply chain and trade route disruptions, vessel shortages, and elevated fuel and increased ocean freight costs.

Consumer demand for authentic, convenient, and value-added ethnic Indian food products continues to remain healthy across our markets. The increasing preference for ready-to-eat, ready-to-cook, shelf-stable, and frozen categories continues to support our growth strategy. Our diversified product portfolio, wide geographic presence, and established distribution capabilities are enabling us to address these opportunities across our diaspora as well as mainstream consumer segments.

Coming to our brands, Ashoka continued to deliver strong growth quarter-on-quarter, supported by robust demand from the South Asian diaspora and deeper penetration across our core and emerging international markets. The brand has delivered a revenue CAGR of more than 20% over the last 5 years, reflecting the brand strength, sustained marketing investments, continuing product innovation, and expansion across channels and geographies. Going forward, our focus remains on expanding shelf space, introducing new products, and strengthening engagement across retail and e-commerce channels.

Truly Indian has also sustained its growth momentum. The brand is now present across more than 3,000 stores in the United States through marquee mainstream clients. Our investment in product

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development, refreshed packaging, retail engagement, sampling, and digital marketing are helping us strengthen brand visibility and encourage consumer trials. The repeat orders received from several retail partners provide encouraging validation of consumer acceptance, and we remain focused on building deeper penetration with existing accounts while pursuing additional listings.

Our domestic brand, Soul, continues to strengthen its presence in India. During the quarter, our focus remained on expanding the product portfolio, increasing reach across e-commerce, quick commerce, and modern trade channels, and undertaking targeted in-store and digital consumer engagement initiatives. With a refreshed team and a differentiated portfolio of better-for-you packaged food products, we are building this brand with a long-term perspective.

On manufacturing, our Surat Greenfield facility, which commenced operations in Q4 FY26, has now begun commercial deliveries and initial container shipments. The facility expands our frozen food manufacturing capabilities and provides additional capacity to support future demand. We will continue to scale operations at Surat in a calibrated manner over the coming years, while maintaining our focus on quality, efficiency, and execution.

We also achieved an important milestone during the quarter by receiving the highest AEO T3 certification from the CBIC. This strengthens our export operations by enabling faster customs clearances, reduced inspections, and improved export efficiency. For a business with significant international presence, this certification further strengthens our trade and compliance capabilities.

On profitability, consolidated EBITDA increased by 26% year-on-year to 29.7 crores, with the EBITDA margin at 17.7%. This performance was supported by an improved product mix, continued momentum in frozen foods, tariff refunds, cost optimization initiatives, and operational efficiencies despite elevated freight costs and ongoing investments in our brand and organizational capabilities.

The operating environment remains uncertain, particularly amid evolving geopolitical developments, tariff-related uncertainties, vessel shortages, and ongoing disruptions in global shipping networks. This continues to impact freight costs and transit timelines. Despite ongoing external uncertainties, we remain cautiously optimistic as we continue to expand shelf space, scale manufacturing capacity, further strengthen our brands, and introduce relevant products across markets. With strong business momentum, we remain well-positioned to deliver revenue upwards of 900 crores in FY27, while maintaining healthy high-teen EBITDA margins. The resilience of our business reinforces our confidence in our brand, execution capability, and diversified market presence, strengthening our long-term growth objectives.

I will now hand over to Srini, our CFO, who will take you through the financial performance in greater detail. Thank you, over to you, Srini.

Management: Thank you, Bimal, and good afternoon, everyone. I will begin with the consolidated financial performance for Q1 FY27. Consolidated revenue from operations for the quarter stood at 167.3 crores, representing strong growth of 25.9% year-on-year. This marks the fourth consecutive quarter of double-digit year-on-year revenue growth.

Consolidated EBITDA increased 26% year-on-year to 29.7 crores, with an EBITDA margin of 17.7%. The performance was supported by a favorable product mix, a higher contribution from frozen

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foods, cost optimization initiatives, operational efficiencies, and tariff refunds, while continuing to absorb elevated freight costs and ongoing investments. Consolidated profit after tax stood at 17.3 crores, up 13.4% year-on-year, with a PAT margin of 10.3%.

Moving to the standalone performance, standalone revenue from operations increased 20.5% year-on-year to 120.9 crores, supported by a strong order book, continued brand traction, and deeper market penetration. Standalone EBITDA increased 22.6% year-on-year to 27.5 crores, with the EBITDA margin improving 40 basis points to 22.8%. The improvement was driven by a favorable product mix, strong momentum in our frozen brands, operational efficiencies, and disciplined cost management, despite elevated freight costs. Standalone profit after tax increased 7.6% year-on-year to 18.3 crores, with a PAT margin of 15.1%.

From a segment perspective, processed food revenue increased 28.5% year-on-year to 144 crores, with segment EBITDA at 31.2 crores and a margin of 21.6%. Revenue from the distribution segment stood at 23.2 crores, with a margin of 11.5%.

During the quarter, our wholly owned US subsidiary received a tariff refund of 2.08 million dollars, amounting to 19.69 crores, from the US government. The refund has been accounted for consistently with the original accounting treatment, with a portion of it in the P&L and the balance portion in the balance sheet for the June quarter. We further continue to monitor developments relating to the US import tariffs.

Looking ahead, our focus remains on disciplined cost management, productivity improvement, and delivering operating leverage as our brands, distribution network, and manufacturing capacities continue to scale. We will also continue to invest selectively in brand building, product innovation, and priority markets. While we remain watchful of geopolitical developments, vessel availability, and freight costs, we are confident that our diversified geographic reach, strong order book, and operational discipline position us well to deliver sustainable long-term growth. With that, I will hand the call back to Sumit to open the floor for questions.

Operator: Thank you very much. We will now begin the question and answer session. Anyone who wishes to ask a question, may press star and one on their touch-tone telephone. If you wish to remove yourself from the question queue, you may press star and two. Participants are requested to use headsets while asking a question. Ladies and gentlemen, we will wait for a moment while the question queue assembles. The first question is from the line of Rehan Sayed from Kraniter Asset Managers. Please go ahead.

Rehan Sayed - Kraniter Asset Managers: Hello, good afternoon to the team, and thanks for giving me the opportunity. So, sir, I have just two questions. First is on the Surat side. You mentioned that Phase 1 is now operational. What is the current capacity utilization level at Surat, and by when do we expect the facility to reach an optimal utilization level capable of delivering the targeted 75 crores revenue for the year?

Management: Sorry, you were not very clear, but whatever I could understand I will try and answer. First, as you know, trial production commenced at the end of March of the last fiscal year. We have made shipments of about 15 odd containers in the first quarter of this year, and for the plant to reach its full capacity, it is going to be anywhere between 2 to 3 years.

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Rehan Sayed – Kraniter Asset Managers: Okay. My second question is regarding your presence in the US market. Truly Indian is now present in over 3,000 stores. Please share any KPIs around same-store sales growth, repeat purchase trends, or sales per store to indicate the brand expanding beyond distribution expansion in this market.

Management: We are present in many chains, so I cannot really give too much detail about the data for each of the chains. However, the encouraging thing is that they are adding on new products. We are getting repeat orders consistently, which is showing in the growth of the business. We are getting new listings because of the performance of our products in other stores. These are all encouraging signs and we are very optimistic on the growth of this brand. We feel fairly confident that the brand will do very well in the mainstream.

Rehan Sayed – Kraniter Asset Managers: I understand. Just one last question if you can allow. The company continues to maintain EBITDA margins in the high teens despite the substantial rise in logistics costs. What is the sustainable EBITDA margin range which you have in mind?

Management: I think the high teens is a good indication, and we will continue to be around that. Just now, even with many uncertainties, we are still trying to make sure that we keep the high teens level. In fact, from this quarter onwards, we have started passing on the freight increase to the customers as well. So that will also help in improving the EBITDA margins.

Rehan Sayed – Kraniter Asset Managers: Fair enough. That is it from my side. Good luck for the coming quarter.

Management: Thank you.

Operator: Thank you. The next question is from the line of Saurabh from Samiksha Capital. Please go ahead.

Saurabh – Samiksha Capital: Hello. Am I audible?

Management: Yes, you are.

Saurabh – Samiksha Capital: I just wanted to know about the part regarding the adjusted tariff refund. If we adjust the refund, the EBITDA margins are 13.4% on a consolidated basis, if I am not wrong. What was the magnitude of freight as a percentage of sales revenue that led to the 13.4% levels? If you can share a number, and what could be the sustainable number for the margins going forward? Another one was about the remaining tariff being logged in the balance sheet right now. What could be the treatment for this going forward? Third, in the presentation, you mentioned an FY27 revenue of 900 crores. Would it be near the 1,000 crore range or below the 950 range? Some guidance on that point.

Management: Thanks, Saurabh, for your question. I will take the first two. On the freight part, if you look at our numbers, we had an impact due to freight because of the ongoing container issues as well as the elevated fuel costs. At a consolidated level, our number is getting impacted by roughly 3% because of freight.

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In terms of the tariff, as you would have seen in our accounting note, we had received 2.08 million dollars of tariff refund. The balance is basically in our balance sheet, which will be further evaluated based on certain customer arrangements and commercial arrangements. That will reflect in the few quarters going forward.

In terms of the revenue target upwards of 900 crores, that is our goal for FY27, and we remain cautiously optimistic given the geopolitical situations. If they ease out, we will be able to achieve this target.

Saurabh – Samiksha Capital: On the margins part, you got muted for a while. Can you repeat the freight impact and the sustainable number?

Management: The freight impact was nearly 3%.

Saurabh – Samiksha Capital: Okay.

Saurabh – Samiksha Capital: Thanks.

Management: As Bimal has just rightly pointed out, we have now started to pass on portions of the freight to our customers from this quarter. We are evaluating the shipping lines every passing day and getting better rates for our customers as well.

Saurabh – Samiksha Capital: Are you planning to pass on the entire freight or just a part of it?

Management: It depends market to market, but in our major markets like the US, we are passing on close to 75% of the freight increase to the customers. In some markets, strategically, we are not passing on any increase, but across more than 65% or 70% of our business, we are passing on the freight increase.

Saurabh – Samiksha Capital: Currently, for this quarter, the adjusted margin was 13.4%. If I remove the freight impact, it was 16.4%. Going forward, as this Surat plant ramps up and we realize operating leverage, can I expect 17% to 18% margins to be achievable starting this year?

Management: Yes, that is what the goal is. But as I mentioned, for the Surat plant to get to full scale, it is going to take at least 2 to 3 years. It has just started operations, and the product needs to get into the market, people need to try it, and then we get repeat orders. There is a cycle. All the new products which we have launched just reached the market a few weeks ago. The acceptance has been fairly encouraging and we have started getting repeat orders. It is a process and takes time. This year, we will probably see the plant at about 30% capacity utilization, and then the ramp-up will happen from the second and third year onwards.

Saurabh – Samiksha Capital: Thanks. That is all from my side.

Management: Thanks.

Operator: Thank you. A reminder, anyone who wishes to ask a question may press star and one. The next question is from the line of Raveena Reddy from Naredi Investment Private Limited. Please go ahead.

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Raveena Reddy – Naredi Investment Private Limited: Thank you for giving me the opportunity. My short question: we anticipate a 900 crore top line for FY27. What percentage of margin do we expect to attain at this level?

Management: Mr. Reddy, we are hoping to keep it in the high teens. That is our goal in terms of EBITDA margins.

Raveena Reddy – Naredi Investment Private Limited: Second, regarding the 19 crore refund received from the US government, how much did you record in Q1?

Management: In Q1, we have recorded 0.77 million dollars.

Raveena Reddy – Naredi Investment Private Limited: 0.77 million means upwards of roughly 7 crores.

Management: Roughly 7 crores.

Raveena Reddy – Naredi Investment Private Limited: In spite of adding 7 crores of income, our margin is only 17%.

Management: As I just stated to you, we had an effect of elevated freight costs, which ate away 3% of our margins.

Raveena Reddy – Naredi Investment Private Limited: So including this 7 crores, our results are at 17 crores, right?

Management: Correct. Not the total amount, but the EBITDA margin is 17.7%.

Raveena Reddy – Naredi Investment Private Limited: Okay. Thank you.

Operator: Thank you. The next question is from the line of Sajal Agarwal from Deswaldo Research. Please go ahead.

Operator: Hello, Sajal. Please go ahead.

Sajal Agarwal – Deswaldo Research: Hi, thanks for the question. I wanted to ask about the AEO T3 certification and what the benefits are for that. Could you elaborate on where we can expect the operational benefits to emerge and in what timeframe the benefits will become visible?

Management: We received the AEO T3, which is a milestone for exporters. This is the best-in-class certification from customs. This helps us with faster processing, reduced examination requirements, and expedited cargo shipments. We received this in May, and our new shipments going out from June will benefit from reduced clearance times. There will be fewer examinations, which helps ensure goods do not get stuck at the ports. This basically helps with faster inventory turns and cash conversions. It is premature to put a specific number on it, but this is a very good step for smoother international trade.

Sajal Agarwal – Deswaldo Research: Regarding the Truly Indian brands, you mentioned that over the last quarter the brand expanded from around 2,000 stores to nearly 3,000. Could you share

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whether the growth is now being driven by repeat customer purchases or incremental store additions?

Management: The growth is a combination of both. There has been growth within existing stores and growth due to new store additions. In terms of percentage, it is probably 60% old store growth and 40% towards new listings.

Sajal Agarwal – Deswaldo Research: One last question about the Surat facility. Commercial deliveries have now commenced. Is the assumption of around 40 to 50 crores of revenue contribution for FY27 still broadly intact?

Management: Yes, we should be able to get to that number by the end of this fiscal year.

Sajal Agarwal – Deswaldo Research: Thank you so much.

Management: Thank you.

Operator: Thank you. The next question is from the line of Ankur Gulati from Jainunity Capital. Please go ahead.

Ankur Gulati – Jainunity Capital: One quick question: the margin guidance you are giving, does that include the tariff refund or is it excluding that?

Management: The high teens target is without the tariff refund. We have been impacted in the first quarter because of the freight increase, which is why, after adjustment, it is a little under 14%. But now that we have started passing on the freight increase from this month onwards, we will start seeing that improvement reflected in the EBITDA.

Ankur Gulati – Jainunity Capital: So you are still aligning with the broad 16% or 17% trajectory from earlier?

Management: Correct.

Ankur Gulati – Jainunity Capital: Perfect. Any labor shortages that you are facing? We did some channel checks with private peers and there was a bit of a labor shortage due to elections and so forth. Any challenges there?

Management: Nothing significant. You have some shortages during elections or the wedding season, but it is a seasonal thing. Otherwise, there is no major problem.

Ankur Gulati – Jainunity Capital: Any color on discussions with bigger clients for large white-labeling engagements? Any progress on that side?

Management: Our focus as a company is on our own brands. The sales split is about 75% own brands and 25% B2B and private label business. We continue to grow the B2B business, but the priority remains our own brands. We are in discussions with new clients and have acquired some new accounts. That is an ongoing process.

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Ankur Gulati – Jainunity Capital: One question on the depreciation at 6.6 crores. Does this include the new plant coming in, or is there more upside to it?

Management: This is based on Phase 1 of our Surat facility. Phase 2 is expected to happen in Q3, so there will be some more depreciation in Q3 or Q4. However, it will mostly be for the lines because the major part of the depreciation in terms of the building has already been updated.

Ankur Gulati – Jainunity Capital: Civil is done, now machines will be recorded. Fair enough. I think sometime next year your PLI benefits are dropping, which is roughly 16 crores. Any plans to recoup that roughly 1.5% margin dip?

Management: While we will continue to invest in our brands, as the years go by, the amount of investment required reduces as the brands start getting better known. We hope to strike a proper balance. Brands like Truly Indian and Soul will continue to require investment. Ashoka will also require investment, but as a percentage of sales, that will reduce. We will try and balance it out that way. We are also hopeful that the government continues the PLI scheme. There was a meeting recently where they were thinking of extending it, especially for Category 3, which is where we received our PLI.

Ankur Gulati – Jainunity Capital: Okay, thank you.

Operator: Thank you. The next question is from the line of Bharat from Quest Investment Managers Private Limited. Please go ahead.

Bharat – Quest Investment Managers Private Limited: Hi, good afternoon and congratulations on the performance in a very challenging time. I have a question regarding Truly Indian as well as the Soul brand in the domestic market. We will continue to have soft expenses there. When do we expect that those will really start returning to hand? Will the gross margin accommodate those investments so our trajectory remains positive?

Management: Building a brand takes time and requires investment. Truly Indian has already started showing good growth momentum and more listings have happened. But it is still at an early growth stage and needs support. As a company, Ashoka continues to remain our flagship brand, but we want to target the mainstream market where there is going to be a lot more growth. We have to make that investment now to reap the benefits later. Over the last 2 years, we have seen signs of growth, acceptance, and more listings for Truly Indian. On the Soul brand, it has been a little slow. It has not grown the way Truly Indian has. We have made certain changes in our strategy and hope the brand will start showing positive results this year.

Bharat – Quest Investment Managers Private Limited: Understood. My understanding is that the opportunity for Truly Indian is much larger than Ashoka. What is your aspiration for the next 3 to 5 years? Ashoka is around 300 crores; where do you think both can be in the next 5 years?

Management: Rather than putting specific numbers on it, I will describe the opportunity. Ashoka caters to the Indian or South Asian diaspora. In America, Truly Indian is in both the US and Germany. The population of the US is over 300 million people. Ashoka is only servicing the 5.5 or 6 million South Asians. Truly Indian's opportunity includes hundreds of millions of people who like to try

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different international cuisines. We feel Truly Indian can eventually be a much bigger brand than Ashoka. We need to introduce the right products and make the necessary investments. Having said that, Ashoka also has a lot of opportunity and grew upwards of 25% over the last 5 years. This last quarter, it grew over 30%. Truly Indian is at a lower base but has grown 3 to 4 times already. We have to be patient as building a brand takes time, but we are on the right path.

Bharat – Quest Investment Managers Private Limited: We have a presence in Germany and now the UK. What are your aspirations regarding expanding within the total European market?

Management: We are setting up a step-down subsidiary in Ireland to address the European markets. We want to put more focus and investment into the UK and Europe because we see huge growth opportunities there. You will see that region growing at high double-digits for us over the next few quarters.

Bharat – Quest Investment Managers Private Limited: Last question. What kind of impact did we see from the West Asia situation, which was roughly 15% of the total business? Are we still struggling to reach that level?

Management: March was a really bad month where we could not make any shipments. In this quarter, we started shipments again from the end of April and we have caught up significantly. We are more or less coming back to those levels of 15%. Freight rates are high, but as I mentioned, from this month onwards, we are passing on the increase to the customers.

Bharat – Quest Investment Managers Private Limited: Great. Thank you.

Operator: Thank you. The next question is from the line of Dhananjay from Alcomy. Please go ahead.

Dhananjay – Alcomy: When the tariffs were applied to us, were our customers sharing the tariff increase or were they absorbing most of it?

Management: Regarding tariffs, most of our customers, especially in the mainstream business, had not shared them, so we absorbed those tariffs. The rest of the tariffs were shared throughout the chain. That was the situation from September to March.

Dhananjay – Alcomy: But if that was the case, there should have been a bigger hit on margins. We have done quite well in terms of keeping margins at a strong rate compared to last year.

Management: We have a lot of structured programs in our manufacturing and supply chain operations. Our capability in automation and digitalization projects helps us get efficiencies into the system, which positively impacts gross margins. We also have a very strong procurement program, where we buy raw and packing materials when rates are low and hedge those prices. That is how the efficiencies offset the tariff challenges.

Dhananjay – Alcomy: Now with the rolling back of tariffs, will you roll back prices or keep the margins and get a significant increase going forward?

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Management: Depending on the product category, we are strategic about where we pass back benefits to the trade or consumer. In certain products, we will keep prices where they are because we have been impacted by freight and other input costs. We are trying to be strategic in categories where we want to increase market share or grow faster.

Dhananjay – Alcomy: Superb. You have done a very good job in a tough environment.

Management: Thank you.

Operator: Thank you. The next question is from the line of Saurabh from Samiksha Capital. Please go ahead.

Saurabh – Samiksha Capital: The processed food margin stood at 21% in this quarter and was 18.4% last year. Assuming the tariff impact affects processed foods more, we had revenue growth but margins were almost flat. Even removing the freight impact, margins would decline somewhat. Is this structural?

Management: Processed food margins are in line with last year. There has been capability building, but the major impact was from freight costs which reduced the margin for Q1. Going forward, operating leverage will kick in, specifically on the processed food segments, bringing margins back to the high-teen EBITDA levels previously described.

Management: To add to that, because of container shortages and supply chain disruptions, Q1 could have ended with a much higher top line. We had goods ready, but we were unable to ship them. Our order book is the strongest it has been in the company's history. Even in June, we could not ship 30% of our ready goods due to the non-availability of vessels or containers. We are doing our best, and because we are one of the largest exporters in this category, we have some clout with the shipping companies, but they also have limitations as vessels are skipping Indian ports.

Saurabh – Samiksha Capital: On the distribution side, the presentation shows an 11.5% margin while it was higher before. Is there a reason it is down this much?

Management: You have to look at the overall margins on an annual basis. Quarterly, there are certain impacts from seasonal costs. Distribution margins will remain in the historical ranges on a full-year basis.

Saurabh – Samiksha Capital: Regarding the 10% tariff that expired on July 24, what is the rate applied now and what is the possible scenario going forward?

Management: It is still continuing at 10% for the moment. How it goes in the future is anyone's guess. We hope it does not fluctuate too much.

Saurabh – Samiksha Capital: Got it. Thank you so much.

Operator: Thank you. The next question is from the line of Raghu, an individual investor. Please go ahead.

Raghu – Individual Investor: Firstly, we have been clocking around 190 crores of revenue and now there is a dip. Is it seasonality or do we expect a bump in the next two quarters? Secondly, our

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bottom line was impacted this quarter. Given that we have passed on certain rates and have tariff refunds, how do you see the impact now? Thirdly, regarding new FTAs like with New Zealand, Australia, and the UK, what are the strategies to utilize those?

Management: Q1 has historically been the weakest quarter for the company. This year, compared to Q1 last year, we have grown significantly despite the problems with containers and shipments. As I mentioned, we could have done much better in June if not for container issues. Srini, you can take the second one.

Management: On margins, you have to look from a full-year perspective. Brand building investments and elevated freight costs muted margins for this quarter, but for the full year, you will see high-teen margins. We put investments where markets are growing and let operating leverage flow into EBITDA.

Management: Regarding the FTAs, these will benefit us. Specifically, with the UK and Europe FTAs, we are looking at investing more in those markets. This will have a positive impact. We are opening an Ireland subsidiary to be closer to the market and use our teams in the UK and Europe to acquire new store listings and channels.

Raghu – Individual Investor: Since we could not ship some consignments, are we expecting a bump in Q2 and subsequent quarters?

Management: There will be a carry forward into Q2, but the supply chain issue still continues to be a challenge. Q2 orders could get carried into Q3. It depends on how soon this crisis eases. The order book is the strongest it has ever been, so the challenge is purely about shipping it out.

Raghu – Individual Investor: Is the 900 crore plus top line still achievable?

Management: We are working to make sure we achieve that, but certain things are beyond our control. From an order book and demand perspective, we will be able to achieve it.

Raghu – Individual Investor: Best wishes.

Management: Thank you.

Operator: Thank you. The next question is from the line of Bharat from Quest Investment Managers Private Limited. Please go ahead.

Bharat – Quest Investment Managers Private Limited: Can you give some color on the competitive landscape for Truly Indian? Is it from existing Indian players or other local players? Also, we see a bump in consolidated staff costs; how many new people are we adding?

Management: Competition for Truly Indian is not from Indian players at the moment; it is mainly from local companies in America produce Indian-style foods. We have added more people to the team, and I believe we are now fully staffed for Truly Indian in the US. We do not anticipate more additions there.

Bharat – Quest Investment Managers Private Limited: You said there is a 3% additional logistics cost; is that on consolidated or standalone numbers?

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Management: It is 3% of overall sales.

Bharat – Quest Investment Managers Private Limited: Regarding the increase in depreciation due to capitalization, will this level be maintained or increase further?

Management: The Surat plant started in March. The majority were buildings and utility facilities that got capitalized then. There will be a few more lines coming in for Phase 2 in Q3 or Q4, but that will only be for plant and machinery. The total capex range is roughly 25 to 30 crores.

Bharat – Quest Investment Managers Private Limited: Thank you.

Operator: Thank you. The next question is from the line of Raveena Reddy from Naredi Investment Private Limited. Please go ahead.

Raveena Reddy – Naredi Investment Private Limited: Any more US customs department refunds we might get in the next 9 months?

Management: Nothing else at the moment from tariffs. We did win a case in the US where we were awarded close to 2.8 million dollars. Our lawyers are in discussions to recover that money from the other party.

Raveena Reddy – Naredi Investment Private Limited: Will there be more PLI benefits from the government in the next 9 months?

Management: This is the last year of our PLI where we are enrolled for Category 3 brand marketing and promotion expenses. We are accruing for those benefits this year. The amount is about 16 crores for the full year.

Raveena Reddy – Naredi Investment Private Limited: Thank you.

Operator: Thank you. The next question is from the line of Saurabh from Samiksha Capital. Please go ahead.

Saurabh – Samiksha Capital: What percentage of EBITDA was supported by the PLI last year? Since this is the last year, how will the depletion of the benefit affect margins?

Management: Our PLI last year was 16 crores on a revenue of 683 crores, which is roughly 2% of our margin. As we invest in brands, the investment as a percentage of sales comes down as the brand becomes large. We will keep investing in Truly Indian, but for Ashoka, the percentage will decrease, which helps maintain our EBITDA margins.

Saurabh – Samiksha Capital: When the government is not giving the PLI benefit, that incremental margin would be depleted, right?

Management: When you start building a brand, you invest as a percentage. As the brand gets stronger, the investment amount becomes absolute and smaller relative to sales. For example, for Ashoka, those investments as a percentage of sales will keep coming down, balancing things out so there is no significant depletion of our margins.

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Saurabh – Samiksha Capital: That makes sense.

Operator: Thank you. The next question is from the line of Pritesh Chadda from Lucky. Please go ahead.

Pritesh Chadda – Lucky: What will be the depreciation figure following the capitalization of the ongoing expansion?

Management: The Q1 figure includes all Surat and Brownfield activities capitalized in March and Q1. There will be roughly 20 to 25 crores of residue capex for new machinery in Surat and routine capexes throughout the year. That incremental depreciation will hit our books at the end of this year once all projects go live.

Pritesh Chadda – Lucky: What kind of manufacturing revenue can the total expanded capacity support, excluding the distribution segment?

Management: The Surat factory, at full capacity, will support a little under 300 crores in terms of top line. Excluding agency business, our total manufacturing capacity can scale up to 1,250 crores of revenue once all phases are ramped up.

Pritesh Chadda – Lucky: What kind of margins should we look at considering the factors like PLI ending, elevated freight, currency depreciation, and a newly automated capacity?

Management: Our guidance remains in the high teens. We will continue investing in growth brands like Truly Indian and Soul, so we stand by that high-teen guidance.

Pritesh Chadda – Lucky: Will the capacity be fully utilized by FY29 or FY30?

Management: FY30 would be a realistic year for full utilization.

Pritesh Chadda – Lucky: Thank you very much.

Operator: Thank you. Ladies and gentlemen, that was the last question. I will now hand the conference over to the management for closing comments.

Management: Thank you everyone for your participation. We look forward to catching up with you all in the next quarter. All the best. Thanks.

Operator: On behalf of ADF Foods Limited, that concludes this conference. Thank you for joining us and you may now disconnect your lines.

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